



Musiwave targets North American expansion as monthly FTDs pass 1.5 mil.

Mobile-music-platform provider Musiwave is targeting more contracts in North America, using the leverage of its parent company, Openwave Systems, which acquired Musiwave earlier this year for US\$117 million.

"We weren't part of that market before, but Openwave do 45-50% of their revenue in the U.S. and have offices across the country," says Guillaume Decugis, chief operating officer at Musiwave.

Since the acquisition, Musiwave has launched a full-track-download (FTD) service with Canadian operator Telus, but Decugis says the company is discussing more launches in North America.

It seems a tough market to crack, given that large U.S. carriers Sprint Nextel, Verizon Wireless and Cingular have already partnered with, respectively, Groove Mobile, WiderThan and Loud-eye. But Openwave President and CEO David Peterschmidt was optimistic about the market at the company's analyst briefing in late April.

"We believe that other major carriers in North America, even if they've already selected some type of music-download service, are clearly interested in entertaining discussions with Musiwave and [are] taking the approach that they may have multiple music services available, and they'll let the consumer decide what they like the best," he said.

In 1Q06, Musiwave generated US\$8.2 million in revenues, roughly 70% of which, Decugis says, come from its traditional market of ring tones, with the rest coming from its newer FTD services. Although the latter are growing fast, he bucks the industry pessimism about declining growth in ring-tone revenues, saying that in many operators' cases, there is plenty of room to improve the merchandising of ring tones, and thus the revenues.

As for FTDs, in April Musiwave an-

nounced that it was selling more than 1 million FTDs a month through its various operator customers, though Decugis says the figure is now closer to 1.5 million. He also says that in Europe, several record labels have indicated that as a distribution channel for FTDs, Musiwave is now second only to Apple's iTunes.

Musiwave occupies an interesting buffer zone between the labels and the operators and therefore has an insider's view of the haggling over FTD pricing. The labels are eager to offer variable pricing for songs on mobile, having failed to achieve this in their latest negotiations with Apple.

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"I understand where the record labels are coming from, but I think there is a danger of confusing the consumers," says Decugis, who says he is not sure that mobile music is mature enough yet to introduce more complex pricing. "I also don't think it's a particularly good thing if we just let record labels deal with pricing. We need to work on something that will provide more value to customers, rather than something that provides more value to the labels but is harder to sell to consumers."

One solution might be the introduction of subscription-based mobile music services. Musiwave has two of them: an all-you-can-eat FTD subscription service and a streaming personalized radio service called SmartRadio. Decugis says they do not cannibalize FTD sales but instead bolster them – particularly in the case of SmartRadio, used by consumers as a discovery tool.

Musiwave expects that most operators will launch just one of these sub-

scription products rather than both. Decugis says that one problem for technology vendors such as Musiwave is that they have more products than the operators can realistically launch – which is one of the reasons behind the poor performance of ring-back tones (RBTs) in Europe.

"Ring-back tones have been one of the victims of full-track music," he says. "We pushed operators to prioritize full-track downloads because it's a much more powerful proposition and can help convert users to more data usage. I think we were right in doing this, but the consequence has been there hasn't been enough communication around ring-back tones."

One of the strengths of RBTs is that because they are network-based rather than handset-based, they work even for users with older handsets. But Decugis says this is also a drawback, because it makes it harder for operators to effectively market RBTs to such a wide demographic of subscribers.

"Eventually, we need to think seriously about bundling these propositions in a simple way," he says. "So if someone buys a €10 [US\$12.50] subscription for a music service, they could be offered three months of free ring-back tones."

Musiwave also has high hopes that the numerous DRM problems challenging the industry can be surmounted in the future. Key among them is interoperability. Decugis says soon it will be much easier for consumers to transfer songs from PC to mobile and from mobile to PC and to also manage a library of songs purchased from multiple operators and online stores.

"It won't include Apple, because they have a closed system, but pretty much all the other guys are using Windows Media," he says. "Without revealing too many secrets, we're going to be using Windows Media as well."

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